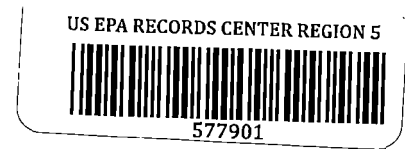


Superfund Meeting with City of Kalamazoo

On EQ Cost estimate

May 16, 2013



1. EQ run through of Removal
2. Comparison of Cost Estimates
  - a. Disposal Costs
  - b. Contingencies
3. Deficiencies and uncertainties in EQ Proposal
  - a. Commercial/residential area east of Portage Creek
    - i. Backfill
    - ii. Excavation costs higher here
    - iii. Decontamination activities
4. Requirements for Remedial Actions under CERCLA
  - a. Bonding/financial assurance
  - b. Bid guarantee
5. Funding of a total removal Remedial Action at Allied
  - a. If it requires money from EPA, 10-15 year schedule
  - b. Added costs of repeatedly closing landfill
6. Additional Questions
  - a. EQ capacity for this material
  - b. Does EQ plan to treat any material?



Exclusions from the EQ proposal	Effect on the Remediation	EQ Proposal (\$115M)	FS Cost Estimate (\$366M)
Bonding	Lack of bonding limits the enforceability of the contract and removes assurance that the work will be completed. Progress payment schedule (excavation—\$10/cy, non-TSCA T&D—\$20/ton, TSCA T&D—\$85/ton) does not provide same assurances as a performance bond. A lawsuit for default or breach of contract would be an option to enforce, but would delay the completion of the project and increase potential costs. Cost for bonding can be approximated at 2 percent.	+ 2 percent	
Commercial and Residential Properties	Continued residential exposure. Continued potential exposure pathway at Goodwill and other commercial properties. Continued source of contamination to Portage Creek. Lack of remediation precludes these areas from potential redevelopment. Separate contract would be required for the remediation of an estimated 91,000 cy.	+ \$7 Million	
Remedial Design	Quantities in the FS are estimated and need to be defined with a pre-design investigation and remedial design. The EQ proposal repeatedly makes references to the work being performed in accordance with a “work plan”. How will the cost be impacted if EPA determines the “work plan” is not protective of the community or environment?	Unknown	
Backfill ( <i>not explicitly omitted in the text, but not included in the description of the scope on page 3</i> )	EQ note for Line Items 22 – 24 states: “EQ’s proposal includes restoration of the site, including costs for backfill, as necessary. Note that EQ’s proposal anticipates restoration consistent with the City’s Portage Creek Corridor Plan.” Quantity of backfill or final grade is not provided. FS cost estimate assumes replacement of excavated soil. Remedial design would determine final grade and backfill quantities. Potential for flooding and instability of surrounding areas if excavation is not appropriately backfilled.	Unknown	
Quantities or proportion of materials that are TSCA versus non-TSCA	There is currently no basis to alter the proportion of TSCA versus non-TSCA soil or soil for re-use onsite. With a rate of \$85/ton for TSCA soil (progress payment rate) and the FS quantity of 830,000 ton of TSCA soil, the total cost would be \$70,550,000. With a not-to-exceed limit of \$46 million, this is estimated at potential \$24,550,000 loss for EQ, potential change orders or approximately 288,823 tons of soil with PCB concentrations above 50 ppm remaining if EQ failed to meet their commitment.	+ \$25 Million	
Requirement for prevailing wage rates	Does not comply with Davis-Bacon Wage Rate Act. The inclusion of prevailing wage rates and fringe benefits would increase the labor costs associated with construction activities such as excavation, transportation, and restoration.  For example, a truck driver may be earning \$20/hr. With Kalamazoo prevailing wage rates, the truck driver would be paid \$25.295/hr + \$49.90/day + \$351/wk. With an assumed 6 hr round trip and a 22 ton load, this results in an estimated increase of \$7/ton in the T&D costs.	+ \$30 Million (Estimated \$7/ton increase in T&D rates for non-TSCA and TSCA).  Increases would also be incurred for excavation.	
MI Hazardous Waste Fee	The FS cost estimate may be revised with a reduction of approximately \$10M due to the exemption listed at MCL 324.11108 (3)(c):  <i>(c) Hazardous waste that is removed as part of a site cleanup activity at the expense of the state or federal government.</i>		- \$10 Million
Other Cost Impacts			
Disparity in Transportation & Disposal Pricing for Self-Performing versus Disposal-Only	“If EQ is bidding for only the disposal, the price to accept these will be similar to or higher than the estimates included in the Feasibility Study, but by shifting control of the site work to EQ, the price and uncertainty of the work can both be reduced.”  Progress payment rate for TSCA transportation and disposal in the EQ proposal is \$85/ton.  In 2013, actual TSCA pricing for T&D to the EQ Belleview facility was \$158/ton (including fuel surcharge and associated fees) for a Superfund site 380 miles from the disposal facility.  In 2013, EQ provided verbal pricing the FS of \$200/ton for TSCA soil (plus fuel surcharge and MI Hazardous Waste Disposal Fee). Allied Landfill is approximately 130 miles to the EQ Belleview facility. As a result of the EQ price, the FS cost estimate unit rate increased to \$250/ton and the FS cost estimate increased by approximately \$100 Million.	TSCA \$85/ton non-TSCA \$20/ton	TSCA \$250/ton non-TSCA \$25/ton
		Difference in disposal costs based on unit rates provided for EQ progress payments and EQ quoted for FS results in a difference of \$153 Million (\$184 Million after contingency)	